# SUMMATIVE EVALUATION OF THE ABORIGINAL BUSINESS DEVELOPMENT PROGRAM

Prepared for

Aboriginal Business Canada
Industry Canada

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## Executive Summary

This chapter provides key findings of the Summative Evaluation of the Aboriginal Business Development Program of Aboriginal Business Canada. The Aboriginal Business Development Program (ABDP) is made up of three components:

- Aboriginal Business Development–a program to provide financial support (contributions) to existing and potential Aboriginal businesses to encourage viability and self-reliance.
- Aboriginal Capital Corporations (ACC)– a program of support to ACCs to establish, expand or diversify their operations.
- Access to Capital (ATC)–offers support and services to strengthen Aboriginal Financial Institutions (AFIs)[1], including the Support and Training (ST) initiative, and fosters increased availability and affordability of capital for developmental lending.

Evidence has been collected from a number of secondary sources and through interviews with 54 key informants (representatives of partner organizations, departments, Aboriginal Financial Institutions and delivery organizations) and 13 staff of ABC.

The chapter concludes with recommendations based on these findings.

### A. Impact on Aboriginal Businesses and Entrepreneurs

In surveys of supported businesses, respondents identified the degree to which they had been affected by ABC support. Based on their comments the authors concluded that approximately 1,800 to 2,200 businesses would not be in business today without the past support. Also between 700 to 800 might not be operating today without the support provided to them by the ABD component. Further about one-half of the businesses assisted through ABD were then able to lever additional support from other financial sources. This indirect effect may further improve the viability of their operation. Staff and key informants provide further evidence that ABDP has increased the number of viable Aboriginal Businesses.

Key informants believe the ABDP leads to new business opportunities for Aboriginal businesses and entrepreneurs. Staff suggest that ABC does not create opportunities but instead facilitates the achievement of opportunities.

Secondary sources suggest approximately 35,000 jobs of varying lengths and degrees (full-time, part-time) have been created through the ABDP. Not all of these jobs may remain. Although virtually all key informants suggest a job impact has occurred, staff suggest that creating viable firms and not creating jobs is the focus of ABC programming.

Over 90% of non-staff believe ABDP contributes to a supportive business environment, increased

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[1]AFIs include ACCs, captialized through a predecessor program to ABDP, and Aboriginal Community Futures Development Corporations (ACFDCs) begun by other departments and regional development organizations such as WED and FedNor.

self-reliance and improved levels of business success. All staff believe success for Aboriginal businesses has increased. Regression analyses conducted for ABC of a group of ABD clients and similar non-clients supports the view that support has led to success.

Virtually all key informants felt that ABDP has assisted in the development of a sustainable and competitive Aboriginal economy. Further, 80% felt it had increased the national and international recognition of Aboriginal businesses in traditional and new industries.

Over ninety per cent of key informants believe access to capital has increased through the ATC and ACC components. Reports by NACCA suggest $18 million in actual or planned loans result through one component of ATC–Interest Rate Buy-down (IRB). The ACC network has provided more than $550 million in loans through its initial funding of $168 million. Loans resulting from the ACC and ATC component are expected to have assisted in the establishment of approximately 13,600 Aboriginal businesses.

A number of key informants and staff voiced concern that current strategic priority criteria are too restrictive. They may limit the number of potential worthwhile projects available for current and future support. (Note this was also a finding of the formative evaluation. ABC staff is engaged in a process to improve the reach through its criteria within its current resource allocation.)

## B. Impacts on Aboriginal Financial Institutions and Business Development Organizations

More than two-thirds of key informants believe that ABCs programming has developed institutional capacity among tourism, marketing and general business organizations. A majority assess the enhanced capacity impact as at least large.

No single factor was identified as being key to the success of Aboriginal Financial Institutions. However, ABC was credited with much of their expansion and diversification. Eighty-seven per cent of AFIs have used Support and Training projects to further enhance the capacity of their institution. In addition, 88% of key informants feel that ABCs programming has strengthened the institutional capacity of ACCs, ACFDCs and NACCA (National Aboriginal Capital Corporation Association).

Key informants see ACCs as being different than the mainstream financial sector. They are smaller in terms of their loan portfolios, with fewer assets in terms and cash. Their clients are distant, more likely to be in remote locations and slightly less credit worthy. ACCs have relatively higher costs and slightly higher net interest on their loan rate. They have a greater percentage of total revenue derived from loan interest and the per cent of their portfolio in developmental loans is more than for a bank. All key informants suggest ACCs fill a gap in the products or services offered to Aboriginal business by the mainstream financial sector.

About three-quarters of key informants felt ABC programs have led to an expansion of geographic coverage, Aboriginal client coverage, and developmental capital and loan levels.

A concern was expressed by a small number of staff that ACCs may bebecoming more risk averse possibly resulting in some needs for developmental support remaining unmet. Reasons for increased risk aversion by ACCs may be:

- Initial under-capitalization.
- Capitalization diminished through loan losses and costs above net loan revenue.
- Profit margins squeezed by historic low interest rates.
- Greater competition for loan business forcing ACCs to lower margins on their loan rates.

## C. Recommendations

This study found ABC had a positive impact on Aboriginal businesses and entrepreneurs and Aboriginal Financial Institutions. However, there is some evidence to suggest that the current strategic priority criteria may unduly constrain future impacts within some geographic and criterion-specific areas (youth, tourism).

> ABC should expand its strategic priorities to address valid needs by Aboriginal businesses and entrepreneurs that fall outside current criteria. ABC should review program budgets in light of any expansion in its strategic priorities to ensure resources are in line with expected demand.

ACCs were set up under a predecessor program to ABDP and can be based on industry, ethnic group, geography or some combination of elements. Duplication can exist across the service area or client base of ACCs. ACFDCs were set up by regional organizations or departments and many share similar geography and client bases with ACCs. There may be opportunity for gains through greater rationalization or co-operation among AFIs. Possibilities may include co-operative arrangements related to serving distant clients, joint marketing activities, or merging to achieve greater efficiencies.

> ABC should encouraged AFIs to explore opportunities for greater efficiency.

There is limited evidence but compelling reasons for ACCs becoming more risk averse (under-capitalization, reduced capitalization, and lower margins as a result of historical low interest rates and increased competition).

> ABC should continue to support AFIs to enhance their institutional capacity and facilitate their access to additional capital for developmental loans.

There is limited evidence to suggest that ABD and the ACC and ATC components serve different client groups. On the one hand this might indicate a co-ordinated design satisfying different market segments. On the other hand it might indicate that efficiencies for the client and program are being missed. For example both client and ABD and ACC staff might benefit from a single application involving both an equity and loan request. This would result in only one proposal and one assessment before a joint agreement that support should or should not be provided.

> ABC should investigate the degree of client overlap across components of the ABDP. If low, ABC should determine if this is a good thing reflecting different client needs or a bad thing suggesting missed opportunities for greater efficiencies through co-ordination .

We understand that ABC management is already pursuing some of these recommendations.

# I Introduction and Approach

## A. Background

Aboriginal Business Canada (ABC), a branch of Industry Canada, works with Aboriginal entrepreneurs to promote the development, competitiveness and success of Aboriginal business in order to build a competitive, sustainable Aboriginal economy actively linked to the economies of Canada and the world. ABC has four strategic priorities:

- Expand markets and trade opportunities (including tourism).
- Encourage innovation.
- Support youth entrepreneurship.
- Strengthen Aboriginal financial and business development organizations.

The **Aboriginal Business Development Program** (ABDP)[2] is made up of three components:

- **Aboriginal Business Development**–a program to provide financial support (contributions) to existing and potential Aboriginal businesses to encourage viability and self-reliance. In addition the ABD provides funds to develop and/or support partner organizations. These organisations play a role in the delivery and support of all ABDP components. Partner organizations include eXternal Delivery Organizations (XDOs), Alternate Service Delivery (ASDs) organizations, Regional Aboriginal Tourism Associations (RATAs), Aboriginal Capital Corporations (ACCs) and the National Aboriginal Capital Corporation Association (NACCA).

- **Aboriginal Capital Corporations** (ACC)–is a program of support to ACCs to establish, expand or diversify their operations. One program element is Aboriginal Youth Business Initiative (AYBI) a contribution to Aboriginal Financial Institutions (AFI)–ACCs (originally established under the NEDP (now ABDP) )and Aboriginal Community Futures Development Corporations (ACFDCs) (originally set up by other departments and regional development organizations such as WED and FedNor) to facilitate loans and pre- and after-care for young Aboriginal entrepreneurs. AFIs also differ in terms of their capitalization. ACCs generally have larger capital bases (although some ACCs were not fully capitalized when program funds were cut back in the mid 1990s) and are intended to derive their operational funds from loan interest. ACFDCs have more limited portfolios but receive contributions from

[2]Appendix A presents acronyms used by the study. In the study, reference to ABC's programming or to ABDP reflects the entire program while ABD reflects the Aboriginal Business Development component.

regional development organizations to continue their operations. Aboriginal Financial Institutions are intended to provide developmental (higher risk) lending to Aboriginal businesses.

- **Access to Capital** (ATC)–offers support and services to strengthen AFIs, including the Support and Training (ST) initiative, and fosters increased availability and affordability of capital for developmental lending. Capital is made more accessible through an Interest Rate Buy-down (IRB) fund offering an interest rate break on borrowing from commercial lenders, Credit Enhancement (CE) a form of collateral account that ACCs can access, and Enhanced Access (EA) a capital fund to cover developmental lending in areas not serviced by the network of existing AFIs.

Exhibit I-1 identifies these components and the linkages that exist among them.

## B. Study Approach

This study presents a summative evaluation of the ABDP. It follows on the recently completed formative evaluation. Generally speaking formative evaluations tend to focus on process issues, rationale and alternatives while summative evaluations tend to focus on impacts.

The study began with a series of issues identified by Aboriginal Business Canada. (See Appendix B.) These issues focus on areas with limited coverage in the formative evaluation.

In the time and resources available to the summative evaluation we have included an extensive review of available secondary sources–primarily research studies, analyses and reviews conducted for ABC. (See Appendix C). We have also interviewed 13 staff and 54 key informants (representatives of partner organizations, departments, Aboriginal Financial Institutions and delivery organizations.) An early decision in the study design was to **not** interview clients of the ABD component due to their extensive prior coverage in available secondary sources, or clients of the ACC component due to difficulties in obtaining client names in the time available. (A list of those interviewed is included in Appendix D.)

This report focuses on impacts of the ABDP. Data collected through interviews assess impacts since 1995 generally or since activities began for more recent elements -- AYBI, 1997 and ATC, 2000. However, secondary information is based on the particular time frame of the source used. In most cases, secondary sources were selected to represent this same general time frame. When they do not (for example to identify an impact since the component began), the specific period over which impacts are measured is noted.

**INSERT EXHIBIT I-1**

## C. Structure of the Report

This report is organized around the key issues of our study:

- Chapter II presents evidence on the impacts on Aboriginal Businesses and Entrepreneurs.
- Chapter III presents evidence on the impacts on Aboriginal Financial Institutions.
- Chapter IV presents evidence on broader impacts identified in the evaluation.

Appendices provide:

- Acronyms used in the study (Appendix A).
- Study issues (Appendix B).
- Documents reviewed (Appendix C).
- List of interviewees (Appendix D).
- Interview guides (Appendix E).

# II Impacts on Aboriginal Businesses and Entrepreneurs

## A. Introduction

This chapter presents findings related to the impacts on Aboriginal business entrepreneurs of the Aboriginal Business Development Program. Evidence comes from existing secondary sources and interviews of staff and key informants. In most cases, those interviewed were able to speak to the impacts of all program components. In some cases those interviewed focused on the ACC component only, while in a very few cases respondents could address the ABD and ATC components only. No significant differences occur between the responses of those who could speak to all components or only some components. As a result we combine all interviewees and discuss the impacts of ABC programming broadly.

## B. Number of Viable Aboriginal Businesses

This section reviews evidence on the number of viable Aboriginal businesses resulting from the support of ABC.

It addresses the issue:

> To what extent has the ABDP (including ABD, ACC and ATC) contributed to an increase in, and expansion of, the number of viable businesses in Canada owned and controlled by Aboriginal Canadians (including those in strategic priority areas such as youth entrepreneurs, export oriented, business in high knowledge sectors or tourism sectors)?

### 3. ABD

From a survey conducted by Goss Gilroy Inc.,[3] of businesses assisted by ABD in the period 1996 to 2000:

- Of businesses assisted with their start-up–54% indicated they would not be in business at the time of the survey without ABC's support. A further 17% were not sure.
- Of businesses that existed at the time of assistance–20% felt they would not be in business without the support while 10% were unsure.
- Of all supported businesses–51% had grown in size, 79% had increased profits and 84% had

[3]Goss Gilroy Inc., *Assessment of the Industry Canada Aboriginal Business Canada (ABC) Program 1996-2000: Impact of Financial Assistance and Client Profile*, July 2001, p. v.

increased sales after support was received. (These changes might indicate increased viability.)

Staff and ABC literature point to approximately 5,000 to 6,000 businesses having been assisted by the ABD component since it began. Using data from the Goss Gilroy survey approximately 1,800 to 2,200 of those businesses would not be business today and between 700 to 800 might not be in business today without the ABC support. Therefore the number of Aboriginal businesses would be reduced by this amount in the absence of ABC. Alternatively ABD resulted in at least this many viable businesses that would not exist otherwise. This represents a minimum impact since ABD may have increased the viability of businesses in addition to those that would not have existed without its support.

Staff generally felt that ABD made a significant contribution to the number of viable businesses. Many point out that support only occurs if they believe success, in the form of a business viability, will result. Support was interpreted broadly to include pre- and after-care in addition to financial support. Many quoted research (conducted for ABC) showing the high success rate by businesses supported in the past. In addition, staff identified that without support, it was unlikely the business venture (many are start-ups) would proceed. Those that might proceed without support were felt to do so only later (3 to 4 years) or at some reduced scale. As a result, staff point to either a full impact (as the activity would not have happened without support) or a partial impact (the value from the activity would be less without support because of a timing or scale change) on the number of viable businesses.

Research by Goss Gilroy Inc. supports staff claims on the full and partial impacts of their programs.

> *Virtually all respondents reported that ABC assistance was important to carrying out their projects . . . . More specifically, without ABC assistance the projects would not have proceeded (41.4%), would have been delayed (30.7%) or would have been smaller in size (26.2%).*[4]

An analysis of the percentage of ABD projects and funds between April 1, 1997 and December 31, 2000 by strategic priority areas[5] suggests that Youth Entrepreneurship represents the largest number of projects (40%) followed closely by Trade and Market Expansion including Aboriginal Tourism (37%) while the latter represents the largest dollar value.

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[4]Goss Gilroy Inc. *Assessment*, p. 21.

[5]Goss Gilroy Inc. *Formative Evaluation of Aboriginal Business Development Program (ABDP)*, October 2, 2001, p 32.

| | Projects | Dollar value |
|---|---|---|
| Innovation | 20% | 21% |
| Trade and market expansion incl. tourism | 37% | 41% |
| Youth entrepreneurship | 40% | 24% |
| Strengthening Aboriginal financial and business development organizations | 3% | 14% |

## 4. ACC/ATC

Secondary sources identify the following evidence on the impact on the number of viable businesses created through the ACC and ATC components:

- Regression analysis estimates 0.89 new Aboriginal businesses result from each loan made by an ACC. As of March 2000, the 14,713 loans made by ACCs since their introduction would have resulted in 13,095 new Aboriginal businesses.[6]
- Using this same factor, as of December 2001, the 124 loans as a result of IRB, and 20 loans as a result of EA[7] (both under the ATC component) would have resulted in 128 new businesses.
- Early results for AYBI suggest 85% of the loans have been for start-ups. Of the 440 loans (as of March 2000) a total of 374 businesses would have resulted.

As noted above, slightly more than 15,000 loans have been issued as a result of the ACC and ATC components (included some by ACFDBs through AYBI) in the past 12 to 13 years. These are estimated to have resulted in the creation of approximately 13,600 Aboriginal businesses. In keeping with the developmental focus of the ACCs most staff felt it unlikely that the loans would have taken place without ACCs, further supporting the view of impacts over and above those that would occur without the ABDP.

Non-staff interviewees were asked whether they thought ABCs programming had accounted for all, some or none of the increase in the number or size of Aboriginal businesses since 1995. Ninety-seven per cent said some. Those reporting a positive impact were asked to identify the approximate percentage increase attributable to ABCs programming. Responses by those indicating a positive impact and by all respondents is noted in Exhibit II-1.

**Exhibit II-1 Size of increase in the number or size of Aboriginal businesses since**

[6]ABC, *Background on Aboriginal Capital Corporations: Transition Plan: December 2001*, p. 2.

[7]NACCA Management, *ATC Program: Program Manager's Report: Second Quarter Ending December 31, 2001.*

**1995 accounted for by ABCs programming**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| No impact | N/A | 3% |
| Less than 25% | 52% | 50% |
| 25% to 49% | 30% | 29% |
| 50% to 74% | 18% | 18% |
| 75% or more | 0% | 0% |

Note that one-half of those interviewed identify ABC programming as representing less than one-quarter of the increase in the number or size of Aboriginal businesses since 1995. Twenty-nine per cent feel ABC's programming accounts for from one-quarter to one-half of the increase while 18% suggests that ABC accounts for from one-half to three-quarter of the increase. As a result, although few identify ABCs programming having no impact, those who identify an impact differ in terms of their views on the size of the impacts.

Key informants also gave their perspective on the degree to which the positive effect on the number or size of Aboriginal businesses was attributable to the four strategic priority areas of the program. Average percentages across non-staff were:

- Innovation – 15%.
- Trade and market expansion including Aboriginal tourism – 24%.
- Youth entrepreneurship – 37%.
- Strengthening Aboriginal financial and business development organizations – 23%.

It should be noted that although similar to the proportion for projects and contributions under the ABD component noted earlier, these proportions will also reflect the activities by ACC and ACFDCs. The nearly one-quarter weight attached to the last strategic priority may be because respondents were identifying an impact through financial and business development organizations.

When asked to comment on the impact by priority area, 62% voiced concern about the strategic priority areas, identifying them as being too restrictive, or not suitable to their area or clients. This was the first of a number of opportunities taken by key informants to discuss their concern related to strategic priorities in the questionnaire. The general theme of the comments was that strategic priority criteria overly constrained the activities that could occur through the ABDP. They suggested a broadening of the eligibility for the programs and offered a number of suggestions for areas to promote in the future.

Staff voiced similar concerns. Some suggested that the pool of potential worthwhile projects based on existing criteria for strategic priorities may be limited especially in some geographic areas.

We have been told this issue is well understood by senior management and discussions are underway on possible changes.

### 3. Leverage to create greater viability

Leveraging other sources of financing may result in a more viable business. In studies conducted for ABC:

- Forty-six per cent of clients of ABD said they used the support received to lever additional financing from a lending institution.[8] (The survey did not ask whether support was received from an AFI or commercial lender.) Evidence from staff interviews suggest that both are possible although it is more likely to be from a commercial lender.
- A survey by Goss Gilroy Inc. provides more detail on the **possible** leverage of other sources by ABD support. The study identifies other sources of financing obtained by the ABD client but not specific to the project that received the ABD support. In other words the study shows all funding sources by the client since the business began. Sources include chartered banks (38%), credit union/trust companies (5%), CFDCs (7%) and ACCs (3%).[9] This suggests a maximum of 53% of businesses may have levered ABD support in the form of support from financial institutions. The low percentage of ABD clients also accessing funds through ACCs is an observation repeated through other sources. Potentially there is limited overlap between clients of the ABD and ACC components.

Three-quarters of key informants (76%) identified that ABC programming helped Aboriginal businesses access additional funds from the mainstream financial sector. Of the three-quarters, a few provided unsolicited opinions suggesting that the impact has been small or that more needed to be done. Of the one-quarter who felt that ABC had not improved access to mainstream financial sector funds, a few suggested that it was not ABCs fault or identified banks as not wanting to get involved.

ABC staff suggest that the ABD component can often make the difference between a project that can versus cannot be supported by a bank. For the client able to put up 10% through their own equity, an ABD contribution of 30% to 40% could often result in a "bankable" deal whereby a mainstream financial institution was willing to provide the remainder needed by the project through a loan. Seen in this light ABD was able to lever money from the mainstream financial sector.

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[8]ARC, Assessment of the Impact on Aboriginal Business of Financial Support Provided by Aboriginal Business Canada, p.51.

[9]Goss Gilroy Inc. *Assessment*, p. 8.

Levering of support or being able to access more diverse sources of financing may increase the viability of Aboriginal businesses.

The above sections suggest Aboriginal businesses are able to lever contributions by the program and thereby to access more diverse sources of financing.

## C. New Business Opportunities

This section assesses new business opportunities as a result of the ABDP:

> To what extent has the ABDP led to new business opportunities (including joint ventures) for Aboriginal businesses and entrepreneurs?

Virtually all non-staff interviewees (98%) identified that ABC programming leads to new business opportunities. Most felt the number of new opportunities attributable to ABC (contribution over and above the number that would have happened without the programs) had been moderate or small.[10] About one-quarter view the impact as at least large. Responses concerning the increase in new business opportunities with ABC compared to without are presented in Exhibit II-2 for those who saw an increase and for all respondents.

[10] As for this and other questions dealing with the size of impact, respondents identifying a non-zero impact were offered a 5-point scale from "extremely large" to "extremely small". Such a scale offers respondents the choice of a centre-point "neither large nor small" and degrees of "more" or "less" impact. Subjective assessment of size of impact will tend to differ across respondents using any scale that cannot be put in concrete numeric terms. As a result it is important to review the distribution of responses across such a scale–for example are more located at the low or high end of the impact scale? Do responses tend to be evenly distributed across the scale?

**Exhibit II-2 Size of increase in new business opportunities with ABC compared to without it**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| Extremely large | 5% | 5% |
| Large | 20% | 20% |
| Neither large nor small | 38% | 37% |
| Small | 30% | 29% |
| Extremely small | 8% | 7% |
| Zero | NA | 1% |

Interviewees also gave their perspective on the degree to which opportunities had occurred across the four strategic priority areas of the program. Average percentages across non-staff respondents were:

- Innovation – 13%.
- Trade and market expansion including Aboriginal tourism – 24%.
- Youth entrepreneurship – 40%.
- Strengthening Aboriginal financial and business development organizations – 23%.

A few respondents provided unsolicited comments suggesting impacts occur only in strategic priority areas. Some felt that demand within strategic priority areas had already been met in some regions. Their view was that it was difficult to achieve additional impacts because demand had virtually been met within strategic areas. Their view was that strategic priority criteria should be loosened or made less restrictive to allow the program to meet demands that fall just outside of current cut-offs.

When asked, almost all staff pointed out that ABC does not **create** opportunities but instead **facilitates** the achievement of opportunities for new and existing businesses. Some commented that the program was reactive or demand driven. However, many respondents identified cases where actions had been taken that may have encouraged a new opportunity. Examples included advertising or promoting ABC programming at meetings, a research or advocacy project, or assistance finding a partner among ABC clients with a particular expertise needed by another client.

## D. Job Creation

Job creation impacts are investigated through the issue:

> To what extent has the ABDP (including the ABD, ACC and ATC) resulted in job creation, including employment in strategic priority areas.

Although all employment created since support was provided is not necessarily attributable (a result of) the support, it is a first step in understanding the impact of that support. In a study by Goss Gilroy Inc.[11] the authors concluded that firms provided with ABD support between 1996 to 2000 had increased their employment by 2169 full-time, 751 part-time and 787 casual workers. On a full-time equivalent basis (weighted 1.0, 0.5 and 0.1 for full-time, part-time and casual workers respectively) the impact is 2,623. Sixty-three per cent of the job growth was for start-up businesses where attribution of the impact to the support is most likely.

Regression analysis indicates that each loan through an ACC results in the creation of 2.1 jobs. Based on 14, 713 loans by ACCs prior to March 2000, the estimated impact has been 30,897 jobs.[12] Using this factor for new loans under the ATC component, as of December 2001, the 124 loans as a result of IRB and 20 as a result of EA[13] would have resulted in 302 jobs. For the AYBI there have been 440 loans as of March 2000, 85% of which were for start-ups. Using the estimate of 1.7 jobs for new business loans under AYBI results in 636 jobs.[14] (An evaluation of AYBI is currently underway. This evaluation may provide further detail on this issue.)

Adding the estimated impacts across the various components and programs suggests that on the order of 35,000 jobs have been created through the ABDP. These jobs are of varying lengths and degrees (full-time, part-time). All should not be assumed to have continued indefinitely.

Staff caution that creating viable firms and not creating jobs is the focus of ABC programming. If jobs result this represents an achievement over and above the desired goal–a secondary benefit. In some instances support may not even be job friendly (at least in the short term) but is intended to result in a more competitive firm. In the longer term a more competitive firm is more likely to maintain the employees it has and to expand in numbers.
Staff point to the failure of many "job-creation" programs which create jobs through a subsidy only

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[11]Goss Gilroy Inc. *Assessment*, p. 27.

[12]ABC, *Background*, p.2

[13]NACCA Management, *ATC Program*.

[14]ABC, ABC's *Youth Programming*, internal presentation.

to have the job end when the subsidy ends. In creating a viable or sustainable firm that exists after the support ends they create an employment generator over the longer-term.

For non-staff interviewees the question was made more explicit by addressing an increase in employment (that is in the hours of work of new or existing employees). Again virtually all (98%) identified an impact. Exhibit II-3 identifies respondents' views on the size of this impact compared to the situation without ABC.

As noted in the exhibit respondents' views are almost equally divided among those who see the impact on employment as at least large, moderate and at most small.

**Exhibit II-3 Size of increase in employment with ABC compared to without it**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| Extremely large | 3% | 2% |
| Large | 30% | 29% |
| Neither large nor small | 35% | 34% |
| Small | 33% | 32% |
| Extremely small | 0% | 0% |
| Zero | NA | 3% |

Interviewees also gave their perspective on the degree to which opportunities had occurred across the four strategic priority areas of the program. Average percentages across non-staff respondents were:

- Innovation – 11%.
- Trade and market expansion including Aboriginal tourism – 24%.
- Youth entrepreneurship – 40%.
- Strengthening Aboriginal financial and business development organizations – 25%.

## E. Business Success

Business success is investigated through the issue:

> To what extent has the ABDP increased self-reliance and contributed to a supportive business environment for Aboriginal Canadians?

The section first addresses the precursors to business success by ABDP–a supportive business environment, and increased self reliance–before addressing the impact on business success.

Ninety-one per cent of non-staff respondents feel that ABC's programming contributes to a supportive business environment for Aboriginal entrepreneurs. Of those who see an impact, all believe that ABC's programming leads to increased self-reliance by Aboriginal entrepreneurs and to improved levels of business success for Aboriginal Canadians. As a result a minimum of 91% feel that ABC has increased self-reliance and success for Aboriginal businesses.

All staff believed the ABC's programming contributes positively to Aboriginal business success.

Previous research funded by ABC supports the assertion that support has led to success:

- In regression models conducted by ARC involving Aboriginal businesses that were clients and non-clients of ABD: "**ABC clients achieved significantly greater levels of success than non-clients**."[15] The model assessed success based on a number of subjective (owner/manager views) and objective (total and export sales, employment and profit growth, profit and innovation) measures. Results of the model indicate that ABD clients had significantly greater levels of success than non-clients regardless of their stated goals (economic, self-, or community-oriented).
- In the same study, the author found ABC clients are **as likely to be profitable** and **more likely to innovate** compared to non-client Aboriginal businesses.[16] They were **as likely to survive** compared to non-clients (and to all Canadian businesses) despite higher levels of innovation and levels of pre-participation need (89%) compared to non-clients (46%) which may tend to increase their risk. Survival rates comparing clients and non-clients respectively were 70% and 73% in the first year, 36% and 41% in year 5 and 19% and 28% in year 10. **Differences are not statistically significant**. Client survivor rates were more comparable to those for all Canadian firms as reported by Statistics Canada (77% in the first year, 36%

[15] ARC, *Assessment of the Impact on Aboriginal Business of Financial Support provided by Aboriginal Business Canada: Technical Report*, p. 50.

[16] *Ibid.*, pp. 45-46.

in year 5 and 20% in year 10)–this despite biases inherent in the analyses that would tend to reduce the ARC measures and increase the Statistic Canada measures.[17]

- Goss Gilroy identified that of businesses supported by the ABD between 1996 and 2000, 69.8% were still in operation at the time of their survey (Fall 2000).[18]

Thus there is compelling evidence through previous studies, and staff and key informant interviews to suggest that ABDP leads to business success.

## F. Enhanced Access to Capital

The ATC and ACC components make additional capital available to ACCs and ACFDCs. The resulting impact on access to capital by Aboriginal businesses is investigated through the issue:

> To what extent have the ATC and ACC enhanced access to capital for Aboriginal businesses and entrepreneurs in Canada?

The ACC component provides developmental loans to Aboriginal businesses and entrepreneurs. However, as a result of the 1994 Program Review, funds were withdrawn from this component. When the decision was made, not all ACCs were fully disbursed. The ACC model suggests that ACCs provide developmental (risky) loans and run their operation on the net proceeds from the loan interest. However, faced with higher than industry standard loan write-offs (due to risk) and high costs of servicing their loans (distant and remote clients) these ACCs may not have sufficient capital to be self-sustaining.

Prior to the launch of ATC, a study suggested a small number of ACCs (likely less than one-quarter) had a low liquidity ratio (cash on hand relative to loans outstanding) indicating they may be running out of lending capital. The ATC was seen as a mechanism to provide additional capital for these and other ACCs to use for additional developmental loans.

Staff felt that a small but significant number of ACCs (those most in need) have used the ATC component to obtain needed funds.

NACCA reports that in the first 24 months the ATC has operated, the government has incurred $400,000 in interest by-down charges to inject an additional $9 million of lending capital for ACCs. In addition, the Enhanced Access initiative has provided $1.5 million to support developmental loans in unserved areas (areas not covered by existing ACCs). NACCA reports that AFIs have levered this money and/or plan to provide an additional $11.9 million in new capital for clients in under-served

[17] *Ibid.*, pp.47-49.

[18] Goss Gilroy Inc., *Assessment*, p.9.

areas.[19]

The AYBI provides support to ACCs and ACFDCs to provide loans (on a matching fund basis) and pre- and post-care to young Aboriginal entrepreneurs. As of March 2000[20], 19 loan funds have been established, 660 applications have been processed and 440 loans have been made totaling $5.6 million.

Ninety-three per cent of key informants identified ABC programming as having improved the access to capital for Aboriginal businesses and entrepreneurs. Respondents provided a number of unsolicited comments on the issue. Some suggesting access to capital has improved say it is limited to certain categories (like Youth), or priority areas or regions of the country. The few who say ABC has not improved access to capital identify cutbacks as the cause, or suggest that improvement has been minimal.

Exhibit II-4 identifies the size of the impact on access to capital compared to the situation that would have existed without ABC according to non-staff interviewees. While 37% identify the increase in access to capital as at least large, 24% see it as small or less.

**Exhibit II-4 Size of impact on access to capital with ABC compared to without it**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| Extremely large | 9% | 8% |
| Large | 31% | 29% |
| Neither large nor small | 34% | 32% |
| Small | 23% | 21% |
| Extremely small | 3% | 3% |
| Zero | NA | 7% |

[19]NACCA, *ATC Program*.

[20]AYBI began in 1997.

## G. Summary of Impact on Aboriginal Businesses and Entrepreneurs

Survey response by ABD clients suggests approximately 1,800 to 2,200 businesses would not be operating and between 700 to 800 might not be operating today without the support provided to them by the ABD component. Loans through the ACC and ATC component are expected to have resulted in approximately 13,600 Aboriginal businesses. Further about one-half of the assisted businesses are able to leverage additional support from financial institutions potentially adding to their viability. Staff and key informants provide further evidence that ABDP has increased the number of viable Aboriginal Businesses.

Key informants believe the ABDP leads to new business opportunities for Aboriginal businesses and entrepreneurs. Staff suggest that ABC does not create opportunities but instead facilitates the achievement of opportunities.

Secondary sources suggest approximately 35,000 jobs of varying lengths and degrees (full-time, part-time) have been created through the ABDP. Not all of these jobs may remain. Although virtually all key informants suggest a job impact has occurred, staff suggest that creating viable firms and not creating jobs is the focus of ABC programming.

Over 90% of non-staff believe ABDP contributes to a supportive business environment, increased self-reliance and improved levels of business success. All staff believe success for Aboriginal businesses has increased. Previous research by ABC supports the view that support has lead to success.

Over ninety per cent of key informants believe access to capital has increased through the ATC and ACC components. Reports by NACCA suggest $18 million in actual or planned loans result.

# III Impacts on Aboriginal Financial Institutions

## A. Introduction

This chapter assesses the impact of the Aboriginal Business Development Program on Aboriginal Financial Institutions.

## B. Enhanced Institutional Capacity

One of the strategic priority areas is to strengthen Aboriginal financial and business development organizations. The ABD component provides funds to develop and support organizations that either directly deliver or provide support toward the achievement of ABC goals. ABDPs contribution to this strategic priority area is assessed through the following issue:

> To what extent has the ABDP enhanced institutional capacity (e g., administration and operation) of tourism, marketing and general business organizations?

More than two-thirds of key informants believe that ABCs programming has helped develop institutional capacity among tourism, marketing and general business organizations. By type of organization the proportion identifying enhanced capacity were:

- National Aboriginal Capital Corporations Association (NACCA) – 98%.
- Aboriginal Capital Corporations (ACCs) – 93%.
- Alternative Service Delivery (ASD) Organizations – 91%.
- External Delivery Organizations (XDOs) – 84%.
- Regional Aboriginal Tourism Associations (RATAs) – 79%.
- Aboriginal Community Futures Development Corporations (ACFDCs) – 77%.

A majority of those who identified an enhanced capacity see the impact as at least large (except for the ACFDCs) as noted in Exhibit III-1. (Note median response (the group with 50% of respondents above and below is bolded.)

**Exhibit III-1 Size of impact on enhanced capacity with ABC compared to without it**

| | Extremely large | Large | Neither small nor large | Small | Extremely small |
|---|---|---|---|---|---|
| XDOs | 14% | **50%** | 18% | 9% | 9% |
| ACCs | 8% | **51%** | 14% | 16% | 11% |
| ACFDCs | 8% | 32% | **32%** | 20% | 8% |
| NACCA | 29% | **47%** | 47% | 6% | 3% |
| ASDs | 19% | **44%** | 44% | 13% | 6% |
| RATA | 7% | **47%** | 47% | 27% | 0% |

In total, 253 Support and Training (S&T) projects have been initiated as of December 31, 2001. These projects have targeted 87% of all AFI's at a cost of $2.9 million. The expected approval of 17 additional multi-AFI projects at a cost of $1.0 million is expected to benefit from a minimum of 4 to a maximum of all 53 AFI's. [21] These projects provide training to staff and Board members of financial and business development organizations to further enhance the capacity of these institutions.

## C. Key Success Factors

Aboriginal Financial Institutions represent a diverse group. In this section we explore factors in the success of AFIs through the issue:

| What are the key success factors for AFI's? |
|---|

Key informants were asked to rate the significance of a number of possible measures to the success of AFIs. A 5-point scale was used where "1" meant "extremely insignificant" and "5" meant "extremely significant". Key informants rated all measures as being significant without much variation in response. Average values across all respondents were:

- Capacity of staff – 4.6.
- Strength and diversity of Board – 4.4.
- Independence from outside influence – 4.4.
- Documented and followed policies and procedures – 4.3
- Community support and buy in – 4.3.
- High dollar value of loan portfolio – 4.0.

[21] ABC Internal Report. *ATC Program Manager's Report: 2nd ¼ Ending 12/31/01.* II. P. 11.

- Adequate/stable loan portfolio – 4.0
- High average net interest on loan rate – 3.9
- High loan portfolio turnover – 3.8
- High percentage of assets in loans – 3.8
- Manageable service area – 3.8
- Low (administration/travel) costs per loan – 3.5

Staff were provided the opportunity to give their view on the key factors in the success of AFIs. The following response is typical:

> *. . . impartial, apolitical, dedicated manager, well trained staff, reasonable-sized territory, cost effective coverage, well-defined/understood operational procedures, proper level of due diligence/risk management, follow-up on business side, take action when loan is in default.*

Individual mentions by staff, that have a bearing on the success of AFIs, are grouped by type of factor below:

- Size of portfolio vs. size of geography (service area)/low cost of coverage.
- Capitalization sufficient to cover administration/sufficient capital base to cover operating costs/sufficient capital.
- Good competent staff with ability to administer/competent manager, good staff/good management, someone who knows how to run and political trends.
- Good Board of Directors, good direction.
- Absence of political interference.
- No ethnic restrictions.
- Geographically compact/size of service area that is manageable.
- Ability to understand community dynamics/good knowledge base of area served.

Responses by staff and key informants suggest that no single factor is key to the success of AFIs. Further comments suggest that a number of varied factors are significant to success.

## D. Expanded and Diversified ACCs

Aboriginal Capital Corporations were created in the 1980's under the Native Economic Development Program (the precursor to ABDP) to address the shortage of available credit for Aboriginal businesses. The ACC concept was to:

- Develop a network of sustainable loan corporations owned and controlled by Aboriginal people.
- Capitalize these loan corporations to allow high risk credit to be extended to the almost bankable.
- Permit a unique design to reflect local market conditions.[22]

In this section we assess the impact of ABC's programming on ACCs. We consider the growth and diversification of ACCs and views on whether they have become self-sustaining through the following issue:

> To what extent has the ABDP contributed to the expansion and diversification of self-sustaining Aboriginal owned and controlled capital corporations?

Thirty-two ACCs remain active (of an original 35). These ACCs were capitalized using $166 million and supported through a further $13 million in start-up and operating subsidies.

A study for NACCA by PriceWaterhouseCoopers[23] identified that of their sample of 20 ACCs, 9 (or almost 50%) would experience financial problems in the mid-term to long-term (not defined).

Staff identify the difficult position for ACCs:

- Mandated as developmental lenders.
- Many with large service areas adding to their cost of delivery.
- A mix of different models to establish client base: industry, ethnicity and geography. Some ACCs' client bases overlap and some clients are not served.
- Conceptualized during a period with moderately high lending rates (12%-14%) and now in a period of historic low rates.
- Some under-capitalized (below the level felt necessary for self sufficiency) after

[22] ABC Internal document, Aboriginal Capital Corporations: Background on Aboriginal Capital Corporations, Transitional Plan: December 2001.

[23] PriceWaterhouseCoopers, *Situation Assessment of the Aboriginal Capital Corporations (ACCs)*, January 2001, p.4.

program review and budget cut-backs in the mid-1990s.

They also identify a number of actions through the ADBP to help shore up the ACCs positions:

- Support to NACCA has created a group which provides a valuable role to help regularize (collect and report back data to help ACCs better position themselves) and help improve the skill set (administers the Support and Training initiative under ATC) of ACC staff and Board of Directors.
- Funding under the ST initiative.
- Added capital inflows through the AYBI under ACC and EA and IRB initiatives under ATC. (The CE fund has not been used to date.)

As reported earlier, 93% of key informants believe ABCs programming helped develop capacity among ACCs. A majority (51%) of those interviewed felt the increase in capacity has been large (and 8 % felt it was extremely large) as a result of the strategic priority focus of ABC.

Key informants who thought capacity by ACCs had increased (93%) felt the reasons were:

- Support to NACCA – 97%.
- Support and training under ATC – 97%.
- Expanded and diversified ACCs – 73%.

Those who identified support to NACCA and Support and Training under the ATC component appear to indicate a link to ABDP as the reason for ACCs greater capacity. Those who identified the cause as expanded and diversified ACCs (n = 19) were asked what new products or services had been introduced by ACCs. Interviewees identified a number of products or services from a list:

- Aboriginal Youth Business Initiative (AYBI) – 78%.
- Youth programming (Indian and Northern Affairs Canada) – 61%.
- Bid bonding (Indian and Northern Affairs Canada) – 57%.
- Training – 48%.
- Counseling – 26%.

The AYBI under the ACC component was mentioned most frequently again suggesting a link between changes in the ACCs and the ABDP. A number of those interviewed identified other products and services introduced by ACCs. Some of these suggest the involvement of ABDP:

- ATC business development–three mentions.
- Enhanced Access (EA) under ATC–two mentions.
- Before and after care under AYBI–two mentions.
- Operating lines of credit.
- Loan guarantees.
- Alternate Service Delivery.
- Youth loans.
- Development lending.
- More access to commercial loans.

Other comments suggest products and services that may be beyond the influence of ABDP:

- Micro lending.
- Business service planning.
- Preliminary work and risk capital.
- Referrals to business services.

As identified above, not all of the products or services adopted by ACCs can be attributed exclusively to ABDP. Those who identified new products or services being introduced by ACCs were asked to assess the contribution made by ABDP to the increase. Responses were:

- Extremely large – 12%.
- Large – 27%.
- Neither large nor small – 39%.
- Small – 20%.
- Extremely small – 4%.

This suggests that about 40% of those who were aware of new products and services by the ACCs saw ABC as largely responsible for that increase.

We asked key informants whether they felt ACCs were more self-sustaining as a result of ABCs programming. Sixty-three per cent said yes, 13% said yes but for only some ACCs while the remainder did not feel ACCs were more self-sustaining.

Those who provided positive responses (yes or some) were asked how ACCs are more self-sustaining. Respondents provided comments that were consolidated into the following categories:

- Access to additional capital for lending through ATC or AYBI – 50%
- Support and training – 29%
- NACCA activities – 3%
- New products – 3%
- Link to XDOs, ASDs – 3%
- Other mentions – 12%

Again the involvement of ABDP is significant in the mentions by key informants related to improvements in the self-sustainability of ACCs.

## E. Complementarity to Mainstream Financial Sector

Aboriginal Capital Corporations were identified as a solution to a problem related to a lack of commercial credit for those of Aboriginal descent. Commercial banks focus on credit worthiness. Aboriginal businesses without a proven credit history tend to be excluded from mainstream financial loans. One component of the problem is S 89 of the Indian Act which prevents seizure of property on reserves. ACCs remain subject to S 89 although some suggest that Aboriginal borrowers may be less likely to default on loans through an Aboriginal owned and controlled lender.

This section investigates similarities between ACCs and other lenders in the mainstream financial sector and thereby assesses whether ACCs are able to fill gaps in the current offerings of the mainstream financial sector. The section addresses:

> To what extent are these corporations functionally complementary to the mainstream financial sector?

First and foremost ACCs were designed to be developmental lenders. They were provided with a capital base and a mandate to lend to Aboriginal entrepreneurs and businesses unlikely to be able to obtain loans from other sources. ACCs are not deposit taking institutions (like banks, trust companies or credit unions). As a result their only source of revenue is the net return on loans (principal and interest payments minus costs to service the loans and write-offs (unrecoverable loans in default)). Net returns must pay for overheads (salaries and accommodation) of the ACC. ACCs do not receive support dollars to cover operating expenditures as do ACFDCs. (An initial $13 million was allocated to pay for operating costs when ACCs were established.)

Evidence of the characteristics of ACCs can be found in a study by PriceWaterhouseCoopers for NACCA.[24] Based on survey responses by 20 ACCs, characteristics for the period 1999-2000 included:

- 96% of loans are developmental[25] and 4% are bankable. Bankable is defined in the study as a loan that would be approved using conventional lending criteria of a chartered bank. Developmental would not be approved using the same criteria.
- 80% of loan requests are approved, 19% rejected and 1% are being processed.
- Loan performance was assessed as normal business risk for 47%, current but requiring close monitoring for 22%, in arrears for 20%, and other bad loans represented 11%.
- Based on 222 accounts of ACCs, accounts were distributed as urban for 30%, rural for 50% and remote for 20%. The definition of urban, rural and remote is based on distances of less than 50 km, of between 50 km and 300 km, and of more than 300 km respectively from the nearest city with a population of 25,000 or more.

We asked key informants whether they felt comfortable in making the comparison between ACCs and the mainstream financial sector. Eighty-eight per cent did and our comparison is therefore based on the reduced sample (n=36). Respondents were asked to compare ACCs to local branches in the mainstream financial sector using a 5-point scale where "1" means "much less" and "5" means "much more". Below we indicate the modal (most frequent response) which, given the distribution of responses, was felt to better reflect the central tendency in the data:

- Remoteness of client base – 5.
- Distance to client base – 5.
- Average travel expenses per loan – 5.
- % of portfolio in developmental loans – 5.
- % of total revenue from loan interest – 4.5.
- Total salaries to revenue – 4.
- Average net interest on loan rate – 4.
- Credit worthiness of clients – 2.
- % of assets in terms and cash – 2.
- $ value of loan portfolio – 1.

On this scale "3" represents the mid-point where ACCs would be viewed as the same as the

[24]PriceWaterhouseCoopers, *Situation Assessment*.

[25]This figure is consistent with the view expressed by key informants that the per cent of developmental loans is much more than the mainstream financial sector. However, a few staff expressed the view that ACCs were becoming more risk averse–most likely moving to a lower percentage of developmental loans.

mainstream financial sector. Numbers less than "3" indicate the ACC being less than while numbers more than "3" indicate the ACC being more than the mainstream financial sector in terms of the indicator. Responses toward the extreme values of the 5-point scale suggest key informants see ACCs as being different than the mainstream financial sector. They are smaller in terms of their loan portfolio, with fewer assets in terms and cash. Their clients are distant, more likely to be in remote locations and slightly less credit worthy. ACCs have relatively higher costs and slightly higher net interest on their loan rate. They have a greater percentage of total revenue derived from loan interest and the per cent of their portfolio in developmental loans is more than for a bank.

Next we asked key informants to comment on whether they felt ACCs filled a gap in the products or services offered to Aboriginal businesses by the mainstream financial sector. All suggested that they did and offered many reasons supporting their view. An analysis of the per cent of all mentions follows:

- Offer developmental lending – 20%.
- Client (Aboriginal) focused – 20%.
- Geography/coverage – 16%.
- Willing to accept risk – 16%.
- Willing to loan on reserve – 13%.
- Banks will not loan to clients – 9%.
- More options/ funds willing to lend – 7%.

A comment by one respondent captures the sentiment suggested by comments of the other respondents:

> *ACCs are more risk tolerant. Knowledge of the marketplace allows ACCs to consider other factors. ACCs are management and opportunity lenders whereas banks are formula lenders.*

Presumably clients of ACCs do not do well under a formula-based lending approach.

## F. Expansion in Coverage

Earlier sections have discussed the capital inflows resulting from the ACC and ATC components. In this section we consider whether the ACC (primarily AYBI) and ATC (IRB, EA and CE) have resulted in an increase in geographic or product/service coverage of AFIs through the following issue:

> To what extent have the ACC and ATC led to an expansion in the coverage provided by Aboriginal financial institutions (ACC's and CFDC's)?

Seventy-seven per cent of key informants felt that ABC programs (predominately EA) had led to an expansion in the geographic coverage provided by AFIs. Exhibit III-2 identifies respondents' views on the increase in geographic coverage compared to a situation without ABC.

**Exhibit III-2 Size of increase in geographic coverage with ABC compared to without it**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| Extremely large | 14% | 11% |
| Large | 38% | 29% |
| Neither large nor small | 24% | 18% |
| Small | 17% | 13% |
| Extremely small | 7% | 5% |
| Zero | NA | 24% |

Similarly 77% per cent of key informants felt that ABC programs (AYBI, IRB, and EA) had led to an expansion in the Aboriginal client coverage provided by AFIs. Exhibit III-3 identifies respondents' views on the increase in client coverage compared to a situation without ABC.

**Exhibit III-3 Size of increase in client coverage with ABC compared to without it**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| Extremely large | 3% | 3% |
| Large | 36% | 28% |
| Neither large nor small | 36% | 28% |
| Small | 26% | 20% |
| Extremely small | 0% | 0% |
| Zero | NA | 23% |

## G. Access to Development Capital

As noted earlier some ACCs were under capitalized when funds were withdrawn through program review. The capital base of some ACCs has diminished through loan write-offs or operating

expenses exceeding net loan revenue. As well some ACCs have all of their capital loaned out and can only provide new loans as existing loans are repaid.

As noted earlier, access to capital for Aboriginal businesses and entrepreneurs was said to have increased through the AYBI (must be matched by ACC) and through the IRB and EA initiatives under the ATC component.

This section explores the related issue:

> To what extent has the ATC led to increased access to developmental capital?

As noted earlier loans by ACCs are predominately developmental (96% according to an analysis by PriceWaterhouseCoopers). To the extent that ACCs use capital inflows through the ATC component in the same manner as they have used their original capitalization under the ACC component, developmental capital will have increased. As of December 31, 2001, IRB had resulted in an injection of $9 million and EA an injection of $1.5 million.[26]

About three-quarters (76%) of key informants felt that developmental capital had increased through ABC programs. Exhibit III-4 assesses the extent of increase according to respondents. In terms of all respondents, a majority (57%) see the impact as small or less, while about one-quarter (26% ) see it as large or more.

[26]NACCA, *ATC Program*, p. 9.

**Exhibit III-4 Size of increase in development capital with ABC compared to without it**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| Extremely large | 7% | 5% |
| Large | 28% | 21% |
| Neither large nor small | 24% | 18% |
| Small | 31% | 23% |
| Extremely small | 10% | 8% |
| Zero | NA | 26% |

In a related question, asked of those who saw an increase in developmental capital, the increase in available loan levels was again judged by the majority to be small or less (59%) while 28% saw the increase as large or more. Exhibit III-5 presents these data.

**Exhibit III-5 Size of increase in loan with ABC compared to without it**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| Extremely large | 3% | 3% |
| Large | 33% | 25% |
| Neither large nor small | 20% | 15% |
| Small | 40% | 30% |
| Extremely small | 3% | 3% |
| Zero | NA | 26% |

## H. ATCs Role in Strengthening Financial Institutional Capacity/Viability

The role of ATC in building stronger Aboriginal Financial Institutions is explored through the issue:

> To what extent has the ATC strengthened the institutional capacity and viability of AFI's (including ACC's, CFDC's, NACCA, etc.)?

Seven out of every eight (88%) key informants feel that ABCs programming has strengthened

the institutional capacity of ACC's, CFDC's, and NACCA . Exhibit III-6 shows respondents views on the size of the impact on institutional capacity.

**Exhibit III-6 Size of increase in institutional capacity with ABC compared to without it**

| Size of impact | Those identifying positive impact | All key informants |
|---|---|---|
| Extremely large | 9% | 8% |
| Large | 35% | 31% |
| Neither large nor small | 21% | 18% |
| Small | 29% | 26% |
| Extremely small | 6% | 5% |
| Zero | NA | 13% |

### XCVIII. Summary of Impacts on Aboriginal Financial Institutions

More than two-thirds of key informants believe that ABCs programming has developed institutional capacity among tourism, marketing and general business organizations. A majority assess the enhanced capacity impact as at least large. Eighty-seven per cent of AFIs have used Support and Training projects to further enhance the capacity of these institutions.

No single factor was identified as being key to the success of Aboriginal Financial Institutions. However, the ABDP was credited with much of their expansion and diversification.

Key informants see AFIs as being different than the mainstream financial sector. They are smaller in terms of their loan portfolios, with fewer assets in terms and cash. Their clients are distant, more likely to be in remote locations and slightly less credit worthy. AFIs have relatively higher costs and slightly higher net interest on their loan rate. They have a greater percentage of total revenue derived from loan interest and the per cent of their portfolio in developmental loans is more than for a bank. All key informants suggest AFIs fill a gap in the products or services offered to Aboriginal business by the mainstream financial sector.

About three-quarters of key informants felt that ABC programs have lead to an expansion of geographic coverage, Aboriginal client coverage, and developmental capital and loan levels. In addition, 88% of key informants feel that ABCs programming has strengthened the institutional capacity of ACCs, ACFDCs and NACCA.

## F. Risk Aversion

A concern expressed by a small number of staff was that the ACCs have recently become less developmental in their focus. Recall the PriceWaterhouseCoopers study suggests that 96% of the loans covered in the survey (1999-2000) were judged to be developmental. However it is important to note that the ACCs made the determination as to which loans were developmental and the concern may be based on more recent observations than the data coverage period.

Potential reasons for more risk aversion by ACCs may be:

- Initial under-capitalization.
- Capitalization diminished through loan losses and costs above net loan revenue.
- Profit margins squeezed by historic low interest rates.
- Greater competition for loan business forcing ACCs to lower margins on their loan rates.

We are unable to assess whether ACCs are becoming more risk averse. However, to the extent that ACCs are some needs of Aboriginal businesses will not be met.

Capital inflows to ACCs through the current AYBI and ATC programs may help ease some of the pressures for more risk aversion. It is our understanding that other changes are being considered by senior management which may further ease these pressures.

## G. Mosaic of AFIs

A small number of staff identified the current mosaic of AFIs that exist. ACCs were set up under the NEDP with little regard to consistency. ACCs can be based on industry, ethnic group, geography or some combination of elements. ACFDCs were set up by regional organizations or departments and many share similar geography and client bases with ACCs.

Recent amalgamations have occurred. However, the current system may benefit further from additional rationalization or increased co-ordination. One key informant and one staff member suggested that more co-ordination was required among the various parties involved in Aboriginal economic development.

# IV Other Impacts

## A. Introduction

This chapter assesses other impacts of the Aboriginal Business Development Program.

## B. Sustainable Development

ABC promotes the development, competitiveness and success of Aboriginal business in order to build a competitive, sustainable Aboriginal economy. The impact on competitiveness and sustainability is assessed through the issue:

> To what extent have the ABDP, ACC and ATC, contributed to sustainable development of a competitive Aboriginal economy.

Key informants were asked to assess whether ABC's programming has assisted in the development of a sustainable and competitive Aboriginal economy. Virtually all (95%) felt that it has. Of those seeing a positive impact on sustainability and competitiveness the impact was felt to be:

- Extremely large – 8%.
- Larger – 16%.
- Neither large nor small – 41%.
- Small – 30%.
- Extremely small – 5%.

## C. Enhanced National and International Recognition

In this section we probe the contribution made by ABC's programming toward national or international recognition of Aboriginal businesses. The issue investigated is:

> To what extent have the ABDP, ACC and ATC, contributed to nationally and internationally recognized Aboriginal businesses in traditional and "new economy" industries?

Eighty per cent of key informants felt that ABC had increased the national and international recognition of Aboriginal businesses in traditional and new industries. Of those who identified an increase, the increase was felt to be:

- Extremely large – 7%.
- Larger – 25%.
- Neither large nor small – 29%.
- Small – 36%.
- Extremely small – 4%.

Staff identified that ABC promotes Aboriginal businesses and entrepreneurs through events such as the National Achievement Awards, participation in trade missions, various conferences including those promoting small and medium-sized enterprises and other activities of its Communications Group. A few questioned the cost of events such as the National Achievement Awards and foreign trade missions, suggesting that the money might be better spent on additional ABD grants to businesses.

## D. Other impacts

Interviews were invited to identify if there were any other impacts, either positive or negative as a result of the ABC programming. This section discusses comments received. We have attempted to group comments by subject area. As well we separate comments which are positive in nature from those that are more focused on suggestions for change.

Positive comments and the number of responses for each were:

- ABC has created an entrepreneurial spirit/ a positive impact for Aboriginal people/ positive role models – 8.
- Youth programming has been good – 3.
- Helping Aboriginal business community – 1.
- Increase in experienced and qualified Aboriginals in Canada due to ABC–mostly ACCs – 1.
- ACCs have developed/more knowledge/better systems – 1.
- NACCA has been good – 1.
- ABCs existence is important/shows that government is making an attempt – 1.
- ABC has brought innovative solutions to unique problems faced by Aboriginal business – 1.
- Given needed boost to borderline businesses – 1.
- ABC is doing a good job, but more still needs to be done – 1.

Comments suggesting changes and the number of responses for each were:

- Priority areas too restrictive/should be opened up (general) – 9.
- Priority areas–specific suggestions for additions/changes:
  - Remote/rural/Arctic -- 2.
  - Small business -- 2.
  - Service sector – 1.
  - Tourism – 1.
  - General business – 1.
  - Traditional businesses – 1.
  - Women – 1.
  - Youth 26 to 35 years of age – 1.
- More money – 5.
- Top-up ACCs – 5.
- Provide operating funds for ACCs – 1.
- Give travel subsidy to ACCs in remote areas – 1.
- Provide ACCs funding in 3-5 year blocks not 1 year contracts – 1.
- Need more AFIs – 1.
- Unfair competition as ACFDCs get operational subsidy – 1.
- Get back to earlier (pre-cuts program) and refine delivery by working more closely with ACCs – 1.
- Have NACCA deliver all programs -- 1.
- Need to bring program closer to people/ delivery in communities – 1.
- Atlantic region under staffed – 1.
- ABC/DIAND/ACCs should co-ordinate to maximize funding levels – 1.
- Non-repayable loans not applicable or relevant to Native economy, instead focused on new economy. Need more focus on getting individual ready/hand-holding – 1.
- Consider setting up an equity pool as in Saskatchewan. Assess applications. Those accepted get equity at 0%. Must repay in 4 or 5 years – 1.

## E. Summary of Other Impacts

Virtually all key informants felt that ABDP has assisted in the development of a sustainable and competitive Aboriginal economy. Further, 80% felt that it had increased the national and international recognition of Aboriginal businesses in traditional and new industries.

A number of key informants and staff voiced concern that current strategic priority criteria are too restrictive. They may limit the pool of potential worthwhile projects for current and future support.

A concern was also expressed by a small number of staff that ACCs may be becoming more risk

averse possibly resulting in some needs for developmental support remaining unmet. Reasons for increased risk aversion may be:

- Initial under-capitalization.
- Capitalization diminished through loan losses and costs above net loan revenue.
- Profit margins squeezed by historic low interest rates.
- Greater competition for loan business forcing ACCs to lower margins on their loan rates.

# APPENDIX A

## *Acronyms Used in the Study*

## List of Acronyms Used

| | |
|---|---|
| ABC | Aboriginal Business Canada |
| ABDP | Aboriginal Business Development Program |
| XDO | eXternal Delivery Organizations |
| RATA | Regional Aboriginal Tourism Associations |
| ASD | Alternate Service Delivery |
| ACC | Aboriginal Capital Corporations |
| NACCA | National Aboriginal Capital Corporation Association |
| AYBI | Aboriginal Youth Business Initiative |
| AFI | Aboriginal Financial Institutions |
| NEDP | National Economic Development Program |
| ACFDC | Aboriginal Community Futures Development Corporations |
| WED | Western Economic Diversification |
| FedNor | Federal Economic Development Initiative for Northern Ontario |
| ATC | Access to Capital |
| ST | Support and Training |
| IRB | Interest Rate Buy-down |
| CE | Credit Enhancement |
| EA | Enhanced Access |
| ABD | Aboriginal Business Development |
| GGI | Goss Gilroy Inc. |
| CDFC | Community Futures Development Corporation |

# APPENDIX B

## *Study Issues*

## SUMMATIVE EVALUATION ISSUES Jan. 7/02 Attachment A

**ABORIGINAL BUSINESS DEVELOPMENT PROGRAM**

| Evaluation Issues/Research Questions | Indicators |
|---|---|
| **A. Intermediate/Long-Term Impacts on Aboriginal Business and Entrepreneurs** | |
| A.1 To what extent has the ABDP (including ABDP, ACC and ATC) contributed to an increase in, and expansion of, the number of viable businesses in Canada owned and controlled by Aboriginal Canadians (including those in strategic priority areas such as youth entrepreneurs, export oriented, business in high knowledge sectors or tourism sectors)? | Number of new and expanded businesses (by priority area) resulting from program activities. |
| A.2 To what extent has the ABDP led to new business opportunities (including joint ventures) for Aboriginal businesses and entrepreneurs? | Number of new and expanded businesses (by priority area) resulting from program activities. |
| A.3 To what extent has the ABDP (including the ABDP, ACC and ATC) resulted in job creation, including employment in strategic priority areas. | Number of new and retained jobs (by priority area) resulting from program activities. |
| A.4 To what extent has the ABDP increased self-reliance and contributed to a supportive business environment for Aboriginal Canadians? | Improved levels of business success. |
| A.5 To what extent have the ATC and ACC enhanced access to capital for Aboriginal businesses and entrepreneurs in Canada? | Levels of capital available. |
| **B. Intermediate/Long-Term Impacts on Aboriginal Financial Institutions** | |
| B.1 To what extent has the ABDP enhanced institutional capacity (e.g., administration and operation) of tourism, marketing and general business organizations? | Number and type of improvements in organizational administration and management resulting from program activities. |
| B.2 What are the key success factors for AFI's? | Comparison of results versus activities and strategies of AFI's. |
| B.3 To what extent has the ACC contributed to the expansion and diversification of self-sustaining Aboriginal owned and controlled capital corporations? | Number of new and expanded capital corporations resulting from ACC program activities. |
| **B. Intermediate/Long-Term Impacts on Aboriginal Financial Institutions** (cont'd) | |
| B.4 To what extent are these corporations functionally complementary to the mainstream financial sector? | Nature of capital corporations and comparison too mainstream financial sector. |
| B.5 To what extent have the ACC and ATC led to an expansion in the coverage provided by Aboriginal financial institutions (ACC's and CFDC's)? | Leverage of commercial resources.<br>Increased use of internal funds.<br>Geographical and client group profile of coverage provided by ACC's and CFDC's.<br>Levels of capital available. |
| B.6 To what extent has the ATC led to increased access to developmental capital? | |
| B.7 To what extent has the ATC strengthened the institutional capacity and viability of AFI's (including ACC's and CFDC's)? | Number and type of improvements in operations and organizational management resulting from program activities. |
| **C. Other Impacts** | |
| C.1 To what extent have the ABDP, ACC and ATC, contributed to the achievement of the following:<br>- The sustainable development of a competitive Aboriginal economy.<br>- Nationally and internationally recognized Aboriginal businesses in traditional and "new economy" industries. | Improved levels of business success and awareness of Aboriginal business. |
| C. 2 To what extent have unintended impacts (e.g., dependency on ABC funding among Aboriginal businesses and AFI's, a reduction in the perceived need to provide financial lending to Aboriginal businesses from the perspective of conventional lenders) occurred as a result of the Program? | Increased levels of repeat clients. |

# APPENDIX C

## *Documents Reviewed*

1. *Aboriginal Youth Business Initiative (AYBI)*, Aboriginal Business Canada.

2. *On-Going Performance Monitoring Strategy for the Aboriginal Business Development Program (ABDP): Draft Report*, Goss Gilroy Inc.

3. *Aboriginal Capital Corporation Program, Terms and Conditions*, Aboriginal Business Canada.

4. *Terms of Reference, Summative Evaluation of the Aboriginal Business Development Program (ABDP)*, Aboriginal Business Canada (ABC).

5. *Memorandum to National Aboriginal Economic Development Board, re: Aboriginal Business Canada Monitoring of ACCs*, Aboriginal Business Canada.

6. *Aboriginal Capital Corporations (ACC) Update*, Aboriginal Business Canada.

7. *ABC's Youth Programming*, Aboriginal Business Canada.

8. *Background on Aboriginal Capital Corporations Transition Plan: December 2001*, Aboriginal Business Canada.

9. *ATC Program, Program Manager's Report, Second Quarter Ending December 31, 2001*, NACCA Management.

10. *Situation Assessment of the Aboriginal Capital Corporations (ACCs), Final Report*, Price Waterhouse Coopers.

11. *Access to Capital, Term and Conditions*, Aboriginal Business Canada.

12. *Access to Capital (ATC) Programming, Policy and Procedures Manual*, Aboriginal Business Canada.

13. *ACC programming and Resource Requirements*, Aboriginal Business Canada.

# APPENDIX D

## *List of Interviewees*

## SUMMATIVE INTERVIEW LIST BY GROUP

### STAFF:

ABC Headquarters:

- Jeff Moore - Executive Director
- Radek Bandzierz - Corporate Director
- Gerry Huebner - Program Services, Manager

ABC East:

- Dave Elgie - Director East
- Larry McDonald - Manager, Halifax
- Marc Boucher - Manager, Montreal
- Peter Jones - Manager, Toronto
- Sandy Highet - Portfolio Manager, Montreal

ABC West:

- Duane Auramenko - A/Director West
- Lloyd Bisson - Manager, Winnipeg
- Dalton Morrison - A/Manager - Saskatoon
- Barry Irwin - Manager, Edmonton
- Don Farysey - Portfolio Manager, Winnipeg

### KEY INFORMANTS:

Stakeholders:

- Dominique Collin - INAC
- Warren Hannay - Peace Hills Trust
- Lyne Constantineau - Canada Economic Development
- Susan Wisking - Atlantic Canada Opportunities Agency

Committee Members:

- Brian Phillips - FedNor
- Sandra Jacobs - National Aboriginal Capital Corp. Assoc.
- Dawn Mahdabee - Waubetek Business Development Corp.
- Mary Lou Bird - ABC Policy Manager

National Organizations:

- Virginia Doucett (Dir.), Aboriginal Tourism Team Canada - (613) 235-2067

## ABORIGINAL FINANCIAL INSTITUTIONS

| NAME | CONTACT | ORGANIZATION TYPE (XDO/ACC/ASD/CFDC) |
|---|---|---|
| Akaitcho Area Community Futures<br>Yellowknife, NT | Raymond St. Arnaud<br>Manager | CFDC |
| Alberta Indian Investment Corporation<br>Enoch, AB | Don Morin<br>General Manager | ACC |
| All Nations Trust Company<br>Kamloops, BC | Ruth Williams<br>CEO | ACC |
| Anishinabe Mazaska Capital Corp.<br>Winnipeg, Manitoba | Errol Wilson<br>General Manager | ACC |
| Apeetogsan (Metis) Development Inc.<br>Edmonton, AB | George Vass<br>Manager | ACC/XDO |
| Baffin Business Development Centre<br>Iqaluit, NT | Bob Long<br>Manager | CFDC |
| Arctic Co-op Development Fund<br>Yellowknife, NWT | Greg O'Neill<br>Manager | CFDC |
| Cedar Lake CFDC<br>Le Pas, MN | John Parker<br>Manager | CFDC |
| Community Futures Development Corporation of Central Interior First Nations<br>Kamloops, BC | Geri Collins<br>Manager | CFDC |
| Dana Naye Ventures<br>Whitehorse, YK | Elaine Chambers<br>General Manager | ACC/CFDC/XDO |
| Dakota Ojibway CFDC<br>Winnipeg, MN | Kim Bullard<br>Manager | CFDC |
| EEYOU Economic Development Group<br>Waswanipi, QC | Claude Otter<br>Manager | CFDC |
| Indian Agri-Business Corp.<br>Calgary, AB | John Tarsitano<br>Manager | ACC |
| Indian Agricultural Program of Ontario<br>Stirling, ON | Wayne Martin<br>Manager | ACC |
| Kahnawake Loan Guarantee Loan Fund<br>Kahnawake, QC | Louie John Diabo<br>Manager | ACC |
| Louis Riel Capital Corporation<br>Winnipeg, MN | Jeanette Cuthbert<br>Manager | ACC |

| | | |
|---|---|---|
| Nishnawbe-Aski Development Fund<br>Thunder Bay, ON | Harvey Yesno<br>CEO | ACC/XDO |
| Nunavik Investment Corp.<br>Kuujjuag, QC | Vallee J. Saunders<br>Manager | ACC/CFDC |
| NWT Metis-Dene Development Fund<br>Yellowknife, NT | Steven Morse<br>Manager | ACC/XDO |
| Prince George Aboriginal Business Dev.<br>Prince George, BC | Ray Gerow<br>Manager | |
| Saskatchewan Indian Equity Foundation<br>Saskatoon, SK | Paul Ledoux<br>Manager | ACC/XDO |
| Saskatchewan Indian Loan Company<br>Saskatoon, SK | Caroline Maze<br>Manager | ACC |
| SaskNative Economic Dev. Corp.<br>Saskatoon,SK | Greg Fofonoff<br>CEO | ACC |
| Settlement Investment Corp.<br>Edmonton, AB | Delores Courtepatte<br>Manager | ACC |
| SOCCA (Native Commercial Credit Corporation)<br>Wendake, QC | Jean Vincent<br>General Manager | ACC |
| Southeast Manitoba CFDC<br>Winnipeg, MN | Ian Cramer<br>Manager | CFDC |
| Tale'Awtxw Aboriginal Capital Corp.<br>Chilliwack, BC | Wayne Gray<br>Manager | CFDC |
| Tecumseh Development Corp.<br>Muncey, ON | Al Chrisjohn<br>Manager | ACC/CFDC |
| Tribal Resources Investment Inc.<br>Price Rupert, BC | Frank Parnell<br>CEO | ACC/CFDC/XDO |
| Tribal Wi-Chi-Way-Win Capital Corp.<br>Winnipeg, MN | Larry Amos<br>Manager | ACC/XDO |
| Two Rivers Community Development Corporation<br>Ohsweken, ON | David Vince<br>CEO | ACC/CFDC |
| Ulnooweg Development Group Inc.<br>Truro, NS | Todd Hoskin<br>Manager | ACC |
| Visions North<br>La Ronge, SK | Vicki Heppner<br>Manager | CFDC |
| Wakenagen CFDC<br>Moose Factory, ON | Albalina Metatawabin<br>Manager | CFDC |

# APPENDIX E

## *Interview Guide*

## INTERVIEW GUIDE

Aboriginal Business Canada has engaged ARC Applied Research Consultants to conduct a summative evaluation of its ABC programming. The evaluation will gather the views of a number of individuals. **Your participation is VOLUNTARY** and an average interview will take less than 15 minutes.

May I proceed?

YES
NO BUT AT ANOTHER TIME _____ (SET UP INTERVIEW) _____
NO NEVER _____ Thank you for your time.

Our evaluation covers three areas of ABCs programming:

N. **Aboriginal Business Development** a program of financial support to existing and potential Aboriginal businesses within four strategic priority areas

B. Financial assistance is provided under the **Aboriginal Capital Corporations** (ACCs) component to establish, expand or diversify ACC operations. ACCs then provide developmental support to Aboriginal businesses.

C. **Access to Capital** represents four separate funds which ACCs and other Aboriginal-controlled developmental lending institutions can access to enhance their operations.

INTRO. Which of the following do you feel comfortable in discussing:

All of ABCs programming _____ (ABC BELOW)
Some of ABCs programming _____ (SOME BELOW) Which ones?

Aboriginal Business Development? _____ (ABD BELOW)
Aboriginal Capital Corporations? _____ (ACC BELOW)
Access to Capital? _____ (ATC BELOW)

(IF ABC/ SOME) In later questions I will be interested in your views concerning (all ABC programming/the ones you mentioned). If there is anything specific you wish to discuss about any single component please let me know. (GO TO A1a))

(IF ONE) In later questions I will be interested in your views concerning the (ABD/ ACC/ ATC) component (GO TO A1e))

A1a) **(IF ABC/SOME) In your view, since 1995, has ABCs programming accounted for all, some or none of the increase in the number or size of Aboriginal owned or controlled businesses in Canada?**
ALL ____ **(GO TO A1c))**
SOME
NONE ____ **(GO TO A1c))**

A1b) **(IF SOME IN A1a)) How much of the increase that has occurred in the number or size of Aboriginal owned or controlled businesses since 1995 would you say is as a result of ABCs programming? For example, if you had said none in the previous question it would have been 0%?**

RECORD PERCENTAGE ____
OR In your view has it been :
less than 25%
25% to 49%
50% to 75% _____
more than 75% _____

A1c) Why do you feel this way? Is there evidence to support this view? What evidence is there?

_____

_____

_____

A1d) (IF A1a) = **ALL OR SOME) ABC has four strategic priority areas. How much of this positive effect on the number or size of Aboriginal businesses would you say has been the result of each of the following ABC priority areas** (PROBE FOR PERCENTAGE OR FRACTION. CONVERT TO PER CENT)

Innovation __%
Trade and Market Expansion including Aboriginal Tourism __%
Youth Entrepreneurship __%
Strengthening Aboriginal Financial and Business Development Organizations __%

CHECK ADDS TO 100%

(IF ONE ASK A1e)) OTHERS TO A2a))

A1e) In your view, **since 1995, has (ABD/ACC/ATC) accounted for all, some or none of the** increase in the number or size of Aboriginal owned or controlled businesses in Canada?

ALL ____ (GO TO A2a))
SOME ____
NONE ____ (GO TO A2a))

A1f) **(IF SOME IN A1e)) How much of the increase that has occurred in the number or size of Aboriginal owned or controlled businesses since 1995** would you say is as a result of ABCs programming? **For example, if you had said none in the previous question it would have been 0%?**

**RECORD PERCENTAGE** ____
**OR In your view has it been :**
**less than 25%**
**25% to 49%**
**50% to 75%** _____
**more than 75%** _____

A2a) (ASK ALL) Has (ABCs programming /ABD/ACC/ATC) led to new business opportunities for Aboriginal businesses and entrepreneurs that would not have occurred otherwise?

YES ____
NO ____
DK/NS ____

A2b) (IF A2a) = YES) We are interesting in comparing **what has happened with** compared to **what would have happened without** (ABCs programming /ABD/ACC/ATC). Compared to the situation **without** (ABCs programming /ABD/ACC/ATC) has the increase in the number of new opportunities for Aboriginal businesses and entrepreneurs been:

Extremely large _____
Large _____
Neither large nor small _____
Small _____
Extremely small _____

A2c) (IF A2a) = YES) How much of this positive effect on new business opportunities has been a result of each of the four strategic priority areas of ABC? (PROBE FOR PERCENTAGE OR FRACTION. CONVERT TO PER CENT)

Innovation __%
Trade and Market Expansion including Aboriginal Tourism __%
Youth Entrepreneurship __%
Strengthening Aboriginal Financial and Business Development Organizations __%

CHECK ADDS TO 100%

A3a) (IF A1a) OR A1c) OR A2a) = YES) Has there been an increase in the amount of employment (that is the hours of work by new or existing employees) in Aboriginal businesses as a result of (ABCs programming /ABD/ACC/ATC)?

YES ____
NO ____
DK/NS ____

A3b) (IF A3a) = YES) Compared to the situation without (ABCs programming /ABD/ACC/ATC) has the increase in employment for Aboriginal businesses been:

Extremely large ____
Large ____
Neither large nor small ____
Small ____
Extremely small ____

A3c) (IF A3a) = YES) How much of this positive effect on employment has been a result of each of the four strategic priority areas of ABC? (PROBE FOR PERCENTAGE OR FRACTION. CONVERT TO PER CENT)

Innovation __%
Trade and Market Expansion including Aboriginal Tourism __%
Youth Entrepreneurship __%
Strengthening Aboriginal Financial and Business Development Organizations __%

CHECK ADDS TO 100%

A4a) (ASK ALL) In your view has (ABCs programming /ABD/ACC/ATC) contributed to a supportive business environment for Aboriginal entrepreneurs?

YES ____
NO ____
DK/NS ____

A4b) (IF A4a) = YES) Is a supportive business environment likely to lead to increased self-reliance for Aboriginal Canadians?

YES ____
NO ____
DK/NS ____

A4c) (IF A4a) = YES) Is a supportive business environment likely to lead to improved levels of business success for Aboriginal Canadians?

YES ____
NO ____
DK/NS ____

A5a) (IF ABC/ATC/ACC) In your view has ABC programming improved access to capital for Aboriginal businesses and entrepreneurs in Canada?

YES ____
NO ____
DK/NS ____

A5b) (IF A5a) = YES) Compared to the situation without ABC programming has the increase in access to capital been:

Extremely large _____
Large _____
Neither large nor small _____
Small _____
Extremely small _____

A5c) (ASK ALL) In your view has support ($ OR SERVICES) through ABC programming helped Aboriginal businesses better access additional funds from the mainstream financial sector?
YES ____
NO ____
DK/NS ____

(ASK ALL) A strategic priority area of ABCs programming is to strengthen Aboriginal financial and business development organizations. Funds are used for capacity building or to support operational costs of Aboriginal organizations that then better serve Aboriginal businesses. Supported organizations include External Delivery Organizations, Aboriginal Capital Corporations, Aboriginal Community Futures Development Corporations, the National Aboriginal Capital Corporations Association, Alternative Service Delivery Organizations, and Regional Aboriginal Tourism Associations.

B1a) Do you believe ABCs programming has helped to develop capacity among:

| | YES | NO | DK/NS |
|---|---|---|---|
| External Delivery Organizations? | ___ | ___ | ___ |
| Aboriginal Capital Corporations? | ___ | ___ | ___ |
| Aboriginal Community Futures Development Corporations? | ___ | ___ | ___ |
| National Aboriginal Capital Corporations Association | ___ | ___ | ___ |
| Alternative Service Delivery Organizations? | ___ | ___ | ___ |
| Regional Aboriginal Tourism Associations? | ___ | ___ | ___ |

B1b) (ASK FOR ANY B1a)) = YES) Compared to the situation without this strategic priority focus of ABC programming has the increase in capacity of Aboriginal institutions been extremely large (XL), large (L), neither large nor small (M), small (S) or extremely small (XS)

| | XL | L | M | S | XS |
|---|---|---|---|---|---|
| External Delivery Organizations? | ___ | ___ | ___ | ___ | ___ |
| Aboriginal Capital Corporations? | ___ | ___ | ___ | ___ | ___ |
| Aboriginal Community Futures Development Corporations? | ___ | ___ | ___ | ___ | ___ |
| National Aboriginal Capital Corporations Association | ___ | ___ | ___ | ___ | ___ |
| Alternative Service Delivery Organizations? | ___ | ___ | ___ | ___ | ___ |
| Regional Aboriginal Tourism Associations? | ___ | ___ | ___ | ___ | ___ |

(B2 LATER IN QUESTIONNAIRE) B3a) (SEE B1a)

(IF ABC/ACC ASK FOLLOWING) . OTHERWISE TO QUESTION B5)

B3b) (IF B1a) ACC = YES, OTHERS TO B3f)) Has this added capacity for ACCs been as a result of:

| | YES | NO |
|---|---|---|
| expanded and diversified ACCs? | _____ | _____ |
| support to NACCA? | _____ | _____ |
| Support and Training under ATC? | _____ | _____ |
| OTHER (Specify) | _____ | |

B3c) (See B1b)

B3d) (IF B3b) = EXPANDED OR MORE DIVERSIFIED) What new products or services have ACCs introduced?
ABORIGINAL YOUTH BUSINESS INITIATIVE (AYBI) _____

BID BONDING (DIAND) ____
COUNSELLING SERVICES ____
TRAINING ____
YOUTH PROGRAMMING (DIAND) ____

OTHER ____ Specify _____
_____
_____

NONE ____

B3e) (IF B3d) NOT NONE. NOTE B3e) ALSO ADDRESSES B5) Compared to the situation without the ABC programming has the increase in new products or services by ACCs been:

Extremely large ____
Large ____
Neither large nor small ____
Small ____
Extremely small ____

(IF ABC/ACC, ASK B3f)). OTHERS TO B5a))

B3f) In your view are Aboriginally owned and controlled capital corporations more self-sustaining as a result of the ABC programming?

YES ____
SOME ____ Which ones?_____
_____
NO ____
DK/NS ____

B3g) (IF YES OR SOME IN B3f)) How are they more self-sustaining?

_____
_____
_____

B4a) (IF ABC/ACC) We would like you to compare the characteristics of ACCs with local branches in the mainstream financial sector. **Do you feel comfortable making such a comparison?**

**YES**
**NO** **____ (GO TO B4b))**

**(IF YES)** Please use a 5 point scale where "1" means "much less" and "5" means "much more". How do ACCs compare to local branches in the mainstream financial sector in terms of" (COMPARISON ACC TO MAINSTREAM)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| A. | Remoteness of client base | 1 | 2 | 3 | 4 | 5 | DK/NS |
| B. | Distance to client base | 1 | 2 | 3 | 4 | 5 | DK/NS |
| C. | Credit worthiness of clients | 1 | 2 | 3 | 4 | 5 | DK/NS |
| D. | $ value of loan portfolio | 1 | 2 | 3 | 4 | 5 | DK/NS |
| E. | % of portfolio in developmental loans | 1 | 2 | 3 | 4 | 5 | DK/NS |
| F. | % of assets in loans | 1 | 2 | 3 | 4 | 5 | DK/NS |
| G | % of assets in terms and cash | 1 | 2 | 3 | 4 | 5 | DK/NS |
| H. | % of total revenue from loan interest | 1 | 2 | 3 | 4 | 5 | DK/NS |
| I. | av. net interest on loan rate | 1 | 2 | 3 | 4 | 5 | DK/NS |
| J. | av. travel expenses per loan | 1 | 2 | 3 | 4 | 5 | DK/NS |
| K. | total salaries to revenue | 1 | 2 | 3 | 4 | 5 | DK/NS |
| L. | direct lending expense to net interest on loans | 1 | 2 | 3 | 4 | 5 | DK/NS |

M. annual provision for losses to gross loan portfolio 1 2 3 4 5 DK/NS

B4b) In your view do ACCs fill a gap in the products or services offered to Aboriginal businesses by the mainstream financial sector? Explain.

_____

_____

_____

B2 (IF ABC/ACC) In your view how significant are the following measures to the success of Aboriginal Financial Institutions that is Aboriginal Capital Corporations and Aboriginal Community Futures Development Corporations. Please use a 5 point scale where "1" means "extremely insignificant" and "5" "extremely significant". How would you judge the significance to the success of Aboriginal Financial Institutions of:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| A. | high $ value of loan portfolio | 1 | 2 | 3 | 4 | 5 | DK/NS |
| B. | high % of assets in loans | 1 | 2 | 3 | 4 | 5 | DK/NS |
| C. | adequate/stable loan portfolio | 1 | 2 | 3 | 4 | 5 | DK/NS |
| D. | manageable service area | 1 | 2 | 3 | 4 | 5 | DK/NS |
| E. | high av. net interest on loan rate | 1 | 2 | 3 | 4 | 5 | DK/NS |
| F. | high loan portfolio turnover | 1 | 2 | 3 | 4 | 5 | DK/NS |
| G. | low costs per loan | 1 | 2 | 3 | 4 | 5 | DK/NS |
| H. | capacity of staff | 1 | 2 | 3 | 4 | 5 | DK/NS |
| I. | documented and followed policies and procedures | 1 | 2 | 3 | 4 | 5 | DK/NS |
| J. | strength and diversity of Board | 1 | 2 | 3 | 4 | 5 | DK/NS |
| K. | independence from outside influence | 1 | 2 | 3 | 4 | 5 | DK/NS |
| L. | community support and buy in | 1 | 2 | 3 | 4 | 5 | DK/NS |
| M. | **some other measure (SPECIFY)** | **1** | **2** | **3** | **4** | **5** | **DK/NS** |

_____

(IF ABC/ACC/ATC ASK B5a)). OTHERS TO B7a))

B5a) In your view has the ABC programming expanded the geographic coverage provided by Aboriginal Capital Corporations and Aboriginal Community Futures Development Corporations.

YES ____
NO ____
DK/NS ____

B5b) (IF B5a) = YES) Compared to the situation without ABC programming has the increase in geographic coverage been:

Extremely large ____
Large ____
Neither large nor small ____
Small ____
Extremely small ____

B5c) In your view has the ABC programming expanded the Aboriginal client coverage of Aboriginal Capital Corporations and Aboriginal Community Futures Development Corporations.

YES ____
NO ____
DK/NS ____

B5d) (IF B5c) = YES) Compared to the situation without ABC programming has the increase in the Aboriginal client coverage been:

Extremely large ____
Large ____
Neither large nor small ____

Small ____
Extremely small ____

B6a) (IF ABC/ACC/ATC) In your view has the ABC programming expanded access to developmental capital for Aboriginal Capital Corporations and Aboriginal Community Futures Development Corporations?

YES ____
NO ____
DK/NS ____

B6b) (IF B6a) = YES) Compared to the situation without ABC programming has the increase in developmental capital been:

Extremely large ____
Large ____
Neither large nor small ____
Small ____
Extremely small ____

B5e) (IF B6a) = YES) Compared to the situation without ABC programming has the increase in available loan levels been:

Extremely large ____
Large ____
Neither large nor small ____
Small ____
Extremely small ____

B7a) (ASK ALL) In your view has the ABC programming strengthened the institutional capacity and viability of Aboriginal Capital Corporations, Aboriginal Community Futures Development Corporations and the National Aboriginal Capital Corporations Association?

YES ____
NO ____
DK/NS ____

B7b) (IF B7a) = YES) Compared to the situation without ABC programming has the increase in institutional capacity and viability been:

Extremely large ____
Large ____
Neither large nor small ____
Small ____
Extremely small ____

B7c) (IF B7a) = YES) What improvements in the operations and organizational management of Aboriginal Financial Institutions have occurred as a result of ABC programming including the support and training element?

_____
_____
_____
_____

C1a) (ASK ALL) In your view has the ABC programming assisted in the development of a sustainable and competitive Aboriginal economy?

YES ____
NO ____
DK/NS ____

C1b) (IF C1a) = YES) Compared to the situation without ABC programming has the impact on the sustainability and competitiveness of the Aboriginal economy been:

Extremely large _____
Large _____
Neither large nor small _____
Small _____
Extremely small _____

C1c) (ASK ALL) In your view has the ABC programming increased the national and international recognition of Aboriginal business in traditional and new industries?

YES ____
NO ____
DK/NS ____

C1d) (IF C1c) = YES) Compared to the situation without ABC programming has the increase in national and international recognition of Aboriginal business in traditional and new industries been:

Extremely large _____
Large _____
Neither large nor small _____
Small _____
Extremely small _____

C2a) Have there been any other impacts either positive or negative as a result of ABC programming?
YES ____
NO ____
DK/NS ____

C2b) (IF C2a) = YES) What impacts have occurred?

_____
_____
_____
_____

C3 Do you have any other comments?

_____
_____
_____
_____

**Thank you**